



RAY CASTELLI

THE CEO OF VANCOUVER BASED, WEATHERHAVEN, A BUILDER OF DEPLOYABLE MILITARY SHELTERS, HAS BROUGHT IN A PRIVATE EQUITY FIRM TO BOLSTER CAPITALIZATION AND BOOSTED REVENUES 5 FOLD OVER HIS TENURE AT THE COMPANY

Against a background of fundamental change in procurement practices and renewed emphasis on Canadian content value in public expenditure, the selection of Ray Castelli as CDR's Defence Executive of the Year for 2015 is particularly appropriate.

As well as being CEO since 2008 of Weatherhaven, a key supplier to Canada's military and a leading provider of deployable shelters, camp resources and systems for remote sites across the globe, Castelli has also been actively involved in procurement reform discussions and initiatives with CADSI, Canada's most important defence industry organization.

In addition, as Chairman of Canadian Commercial Corporation, an important supplier of export services to defence companies, Castelli has pushed for growth in Canadian defence exports.

*In a wide ranging interview with CDR's European Correspondent, **Tim Mahon**, Castelli discusses some of the issues that excite his passion and shape his management philosophy. Here is our report on the winner of CDR's Defence Executive of the Year award for 2015.*

At the time Ray Castelli joined Weatherhaven as a board member in 2006 the company turned over approximately \$15 million annually. It was a successful partnership-based company, focused on providing innovative solutions to requirements for shelters and deployable camp infrastructure, primarily for Canadian customers but with a growing international footprint in support of customers like the United Nations and Brazil.

Today, the company's revenues are in the \$70-80 million range, with a goal to grow to more than \$100 million in the near future, according to Castelli. A new corporate structure that offers Weatherhaven an experienced and well financed parent company will be of great assistance in realising that ambition. The entire management team at Weatherhaven has worked hard to achieve this transformation, but it is evident that Castelli has been something of an 'agent of change' in leading this process.

THE GOVERNMENT YEARS

Ray Castelli's background prior to joining Weatherhaven is varied, not to say fascinating. With six years in government, in the early 1990's as Chief of Staff to the Minister of National Defence and Deputy Chief of Staff to the Prime Minister, he knew something about how government worked. As director of corporate development at the \$8 billion behemoth Alcan, he knew how large international businesses worked. And, as one of the founders of Quadrem, a global procurement services joint venture company, which managed more than \$20 billion in annual transactions on behalf of 19 of the world's largest mining and metals companies, he understood the intricacies and challenges of efficient procurement on an international scale.

"I think the most important aspect of my background when I came to Weatherhaven was the experience I had gained in strategic planning – both at Alcan and at Quadrem," Castelli told CDR. "At the strategic level, defence procurement in Canada was becoming an issue as well as an opportunity: Canada had committed to a \$490 billion Canada First Defence Strategy, but the procurement processes to execute that had become slow, pedantic, risk averse and bogged down in regulations that sometimes led to unintended consequences.

At the company level we saw huge potential for Weatherhaven in the Canadian defence market – and also in the export market that would follow from success at home. So we focused on this area as the principal driver of change at first."

In consequence, Castelli oversaw the creation of a strategic plan for the company over his first eighteen months in Vancouver. "We were already a proven innovator, especially in the area of containerised shelters, but we didn't have a clear vision of how to expand. Drawing on my experience in strategic planning, we settled down to write a five year plan," Castelli said.

The operational aspects of the plan focused on three main areas: expanding global reach, a shift of emphasis to being much closer to the customer – physically and with greatly improved support, and reducing global production costs. The result, says Castelli, has been fundamental change. "We now have manufacturing facilities, both as direct components of the company and through joint manufacturing ventures, in the US, South Africa, Peru and Brazil and we have a systems integration facility in the UK that supports the work we do with NATO special forces," he said.

Another key element of the plan was a new product development strategy that leveraged the company's strong reputation in Canada and within NATO and its capability for innovation. "We had already obtained a global patent on an expandable container and were making inroads into exploiting its global potential, but we had a further eight innovative technologies on the drawing board, with no clear idea how to efficiently exploit them," he observed. But there was no doubt that here lay the secret of potential success.

WINNING IN THE EXPORT MARKET

Weatherhaven had partnered with Canada's DND in the mid-90's to develop and patent its expandable container solution. Over the years it had sold some 200 of these expandable containers to Canada with uses ranging from command centres, to kitchens to field hospitals. As a result of having Canada as its first customer and being showcased abroad, more than 2,500 of these units have since been sold to more than 20 countries, including the US, the UK, Brazil, Australia, Japan, South Africa and Germany, outstripping 'home market' sales by a factor of more than 12 to 1.

The obvious thought process, therefore, was that a similar scale of success, focused around developing solutions for Canada, then marketing them globally, could contribute positively to the company's growth and development. This product development process has led to the creation of three newly patented global products. In addition, Weatherhaven was able to partner with DEW Engineering to win the \$130 million Medium size vehicle shelter (MSVS) competition in 2009. Other products currently in development include an innovative tactical soft shelter solution, as



Weatherhaven’s TRECC shelter can be transported by Chinook helicopter

well as a number of vehicle based expandable container technologies.

Ray Castelli submitted his strategic plan for discussion and evaluation at the end of 2007. Early the following year the then Managing Director invited him to implement the plan, as CEO. “This process of suggesting something then finding myself invited to do it has happened a few times in my career,” he observes with wry humour.

Taking the reins of the company in March 2008 Castelli and his colleagues began a process of transformation that continues to this day and has strengthened Wetherhaven’s position in its chosen markets. Developing new portable container-based solutions that address requirements tangential to the company’s core markets has been a key element of this transformation.

THE “INTERNAL EXTERNAL” MARKET

“What we are really doing – and what Canada is now doing in a wider sense – is to address three adjacent markets,” said Castelli. “There is the direct government market – satisfying Canadian requirements for the military and



Castelli has played an important role in reforming Canada’s defence procurement

other government agencies; there is the direct export market – satisfying wider international requirements for similar capability; and there is the ‘internal export’ market – satisfying international demand but via an intelligent approach to the Industrial and Regional Benefits

obligations of prime contractors already extant as a result of past contracts.”

Innovative technology was a key part of that strategy. Weatherhaven’s development of a container whose roof can be raised in situ to a height of 12 feet or more opened



Castelli was asked to chair the BC jobs and investment board in 2013

up new market opportunities to partner with primes to develop containerized solutions for their end customer. For example, a portable helicopter repair centre for Boeing has been successfully built, catering to the company's own requirements and leading to opportunities

to market that same capability to worldwide customers. In addition, the installation of a full-scale CH-47 medium helicopter cockpit simulator has been developed with CAE – a capability which also has considerable export potential.

This 'internal export' market is one of the issues that inspires Castelli's enthusiasm and passion for change and is one of the factors that has prompted his involvement with national organisations. Without intending to take the leadership roles he eventually assumed, he began his involvement with the Canadian Association of Defence & Security Industries (CADSI) to provide perspective for the defence procurement reform discussions then beginning to be held in Ottawa and across the country in 2011.

When the Jenkins Expert Panel Special Report on Military Procurement was published two years ago under the title *Canada First: Leveraging Defence Procurement through Key Industrial Capabilities*, its fundamental recommendations owed much to the extensive dialogue in which Tom Jenkins and his colleagues had engaged in with the defence community across the nation. Ray Castelli was asked by Tom Jenkins to be part of this 5-member panel, in part because of the perspective he brought as leader of a west coast SME, with a strong track record in R&D and the export market, as well as an executive with extensive international business development and procurement services experience.



Weatherhaven shelters at Camp Julien in Afghanistan



Castelli with Minister Rempel at DSEI

“As soon as I became involved with CADSI I found commonality with a lot of the other members and the similar frustrations they shared. I also talked to and found that we had a sympathetic ear at the Ministerial level,” said Castelli. “Minister Ambrose was committed to improve procurement processes and outcomes for Canada and strongly encouraged me to share my perspective and global experience. This made sense to my company, as well as my board colleagues at CADSI because, in a broader sense, we can’t just look out for ourselves: we’re stuck in the system just like everybody else.”

REFORMING THE PROCUREMENT SYSTEM

This spirit of trying to encourage a ‘whole of government’ approach to procurement – making the system easier, less obscure, more integrated and a much better contributor to Canadian security, economic development and trade potential – is one that Castelli wholeheartedly embraces. Other nations do this and we could be better at it.

Having established, in his words, “. . . that what we needed was an approach that focused as much on the trade aspects of a solution as any

other,” he was also asked to become involved with the Canadian Commercial Corporation (CCC) a federal Crown corporation that carries the mandate to facilitate international trade on behalf of Canadian industry – especially with foreign government markets. Over the past few years CCC has been able to facilitate billions of dollars of export sales, supporting

more than 180 Canadian companies in 57 countries, and helping to sustain more than 18,000 jobs in Canada.

Now Chairman of the Board of Directors at CCC, Castelli believes the organisation has not only made great strides in recent years but has the potential to foster even better outcomes for Canadian industry in the immediate future.



The TRECC transportable shelter from Castelli’s Weatherhaven



Weatherhaven's extended height MECC shelter in Afghanistan



“There’s no doubt that austerity has become the new norm in the international defence market, as the drawdown from Afghanistan, deficit reduction measures and other political and economic factors shape trends. But that doesn’t mean there are no opportunities – and Canada is just as capable of winning those opportunities – if we get the strategy right. The Canadian military is highly respected internationally, especially for the kit it fields. We can leverage our industrial capabilities to significantly increase export sales, and organisations like CCC, as well as EDC and the Trade Commissioner Service, have a vital role to play in that process,” he said. Readers can be assured that with Ray Castelli chairing the effort, CCC will play an increasingly active part in ensuring that Canada gets at least its fair share of the pie.

100% CANADIAN OWNED AND OPERATED

As the first five year strategic plan for Weatherhaven drew to its programmed conclusion, Castelli and his colleagues began to look at the next five year horizon. With the pending retirement of some of the company founders, one of the determinations they made was that finding a new partner – an investor with financial muscle, international outlook and experience in corporate growth strategies – would be a major boost to the cycle of growth the company was looking for. In June 2014 Weatherhaven announced it had a new parent company – Vancouver-based Fulcrum Capital Partners.

“We knew we could hunt for bigger game if we had deeper pockets and broader strategic options. So, we engaged in a process and were

amazed to receive expressions of interest from dozens of qualified investors from all over the world. All of them were offering increased financial strength, a track record of managing growth and longer investment horizons. All of them believed in the global potential for our company and our innovative products.

We found that Fulcrum satisfied all these requirements, but particularly our strong desire to remain 100% Canadian owned and operated,” Castelli says. Fulcrum had the added benefit of only being half an hour away from the company’s Burnaby headquarters when opportunities need to be discussed and decisions taken in short order.

But, what will his view be at the end of the process? What will he want to look back on with pride as his legacy? “Canada expects to spend billions on defence procurement over



The multi-lingual Castelli converses with Brazilian President Dilma in Portuguese

the next twenty years. I would hope that the processes we have begun to put in place and that will continue to evolve will ensure that all this investment pays dividends for Canada. Not only in getting the right kit and good value for our soldiers, but in building our economy, technological base and export markets. I would like to think that I, along with many others will have contributed to a focus on building Canadian industry as an even more successful defence exporter than it has been to date," he said.

A STRONGER FUTURE FOR CANADIAN DEFENCE FIRMS

Ray Castelli is first and foremost a Canadian. Add to this a strong background in international business development, an instinctive understanding of the way in which to manage and leverage cross-cultural issues in strategic international growth (he speaks five languages, including Italian, Portuguese and Spanish) and a knowledge of the fundamental mechanisms of government in and out of defence and you have a rounded individual whose skillsets are

purposely worked in harmony, with considerable drive and energy.

He is also very much a British Columbian. Asked by Premier Clark to Chair the BC Jobs and Investment Board in 2013, he recently helped author a set of recommendations that led to the BC government earmarking \$5M in its most recent budget to support the development of the aerospace and defence industry in British Columbia.

Weatherhaven has undoubtedly been the beneficiary of Castelli's capabilities over the last eight years. The company's growth, new product development, and strategic positioning during this period is reflected in the company becoming a perennial denizen of CDR's Top 50 Canadian Defence Companies club.

These accomplishments alone would be worthy of recognition. However, his willingness to apply his knowledge and skills in helping to advise government on how to improve outcomes for Canadian industry, his role as Vice-Chair of CADSI, as well as his role as Chair of the CCC Board, together provide a pretty good explanation for why CDR has selected Ray Castelli as its Defence Executive of the Year for 2015. ■



Castelli sits down with CDR Editor, Peter Kitchen, during ADSE in Abbotsford, B.C.

Tim Mahon is CDR's European Correspondent
